

Central Intelligence Agency



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DIRECTORATE FOR INTELLIGENCE

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USSR: October Plenum on AgricultureSummary

The USSR will hold a special plenum on 23 October to deal with problems in the agricultural sector. The plenum is likely to review progress made in implementing Food Program goals, pointing out both recent success in increasing food supplies to the Soviet population as well as failure to reduce the very high costs of food production and the large losses of farm products.

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We expect the plenum to make some adjustments in the Food Program while maintaining its high priority. Some restructuring of investment, and enhancement of incentives for farm workers is likely to be decided upon, and additional steps to unify management of the entire food production process may be undertaken. Special measures to increase grain production almost certainly will receive considerable attention.

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The plenum will be an important political event with special significance for General Secretary Chernenko and Politburo member Gorbachev, the party's agricultural overseer and current front-runner to succeed Chernenko. A likely but politically ambiguous outcome of the plenum is that they will share the limelight--Gorbachev giving the main report and Chernenko perhaps giving a brief report on broader party issues.

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This memorandum was prepared in the Soviet Economy Division and the Political Analysis Division of the Office of Soviet Analysis. Comments and questions may be addressed to

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Introduction

1. Past plenums on agriculture have dealt with issues of organization, management, and resource allocation (figure 1). The May 1982 Plenum--largely a response to poor farm performance during 1979-81--established the Food Program to address many of these issues in a comprehensive manner. We expect this plenum to focus once again on these issues in the context of the slow progress being made in meeting goals set out in the Food Program. This memorandum describes the successes and failures in meeting these goals and assesses the likely impact on the plenum agenda. It also examines the political implications that the review of agriculture's performance may have for the Soviet leadership. This memorandum does not address possible personnel changes or nonagricultural issues that may arise at the plenum.

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Progress Toward the Food Program Goals

Increasing Farm Production

2. The output goals given in the Food Program (particularly those for most crops) are well out of reach (see table 1). Nonetheless, annual farm output in 1982-84 will average nearly 10 percent higher than during 1979-81. An index of crop yields shows a marked drop from the 1978 peak to 1981, followed by substantial recovery in 1982 and 1983. Soviet pursuit of improvements in agrotechnology--such as increasing the crop area left to fallow; applying more fertilizer, pesticides, and other agricultural chemicals; and increasing deliveries of machinery and equipment to farms--have had beneficial effects. At the same

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Figure 1

Special Central Committee Plenums on AgricultureMarch 1965

1. First spelled out Brezhnev Program.
2. Well in advance of approval of 1966-70 Plan, allocated 71 billion rubles to agriculture as a fixed constraint.
3. Reduced compulsory delivery quotas for farms.
4. Raised prices and cancelled some collective farm debts.

March 1966

1. Elaborated Brezhnev Program.
2. Pushed land reclamation.

October 1968

1. Brezhnev reaffirmed commitment to original programs and emphasized need for factor growth in agricultural output "in the shortest possible time".
2. Did not call for specific remedial measures, but "mobilization of reserves" and "long-range studies".
3. Expanded policy of paying 50-percent premia for above-quota deliveries.

July 1970

1. Reversed the retreat from the Brezhnev Program that had occurred in the late 1960s.
2. Raised prices paid to state and collective farms for livestock products and crops and for purchases from private sector.
3. Confirmed large increase in agricultural investment
4. Increased sharply bonuses for skilled workers.

July 1978

1. Set forth target figures for 11th Five-Year Plan (1981-85), with top priority going to meat production.
2. Passed a series of decrees earmarking resources for the development of various sectors, including agricultural machinebuilding, feed concentrates, and the microbiological industry.

May 1982

1. Promulgated Food Program, which seeks to integrate the entire food production chain.
2. Major Goals: reduce Soviet dependence on imports of farm products and close growing gap between domestic supply and demand for food.
3. Reorganized management of food production, redirected investment resources toward infrastructure and distribution, revised incentives, listed new targets for the period to 1990.

Table 1
USSR: Progress Under the Food Program

	<u>Unit</u>	<u>Average Annual</u>		<u>Estimated</u> <u>1981-84 as</u> <u>Percent of Goal</u> $\frac{100 \times (3) + (2)}{(2)}$
		<u>1976-80</u> (1)	<u>Food Program</u> <u>Goals, 1981-85^a</u> (2)	
<u>Gross output, agriculture</u>	billion rubles	124	140 ^b	128 ^c 91
<u>Crop production</u>				
Grain	MMT	205	240	179 75
Cotton	MMT	8.9	9.2 ^b	9.4 102
Sugar beets	MMT	89	101.5	74 73
Sunflower seeds	MMT	5.3	6.7	5.1 76
Flax	TMT	393	501 ^b	399 80
Potatoes	MMT	83	88	78 89
Vegetables and melons	MMT	30	33.5	29 87
Grapes	TMT	5.6	7.8	7.2 ^c 92
Other fruit	MMT	9.4	11.5	10.5 ^c 91
<u>Production of</u> <u>livestock products</u>				
Meat, slaughter weight	MMT	14.8	17.2	16.0 93
Milk	MMT	93	98	93 95
Eggs	billion units	63	72	74 103
Wool	TMT	441	474 ^b	460 97

^a Mid-point of range.

^b Goals for 1981-85 that were promulgated before the Food Program was adopted; targets were not given in the Food Program.

^c Average for 1981-83; estimates for 1984 are not available.

time, putting more land into fallow has meant that the effect of yield increases on production has been offset to some extent by a reduction in harvested area. Grain area, for example, has gone down by nearly 5 percent since 1980. [redacted]

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3. The failure to meet the Food Program targets for the crucial livestock sector will be much less marked than for crops. Meat output this year is expected to exceed plan for the second year in a row and milk production has finally climbed above 1976-80 average levels. The increased emphasis on production of forage crops such as hay and silage--aided by longer, more favorable growing seasons in both 1982 and 1983--has led to larger feed supplies and permitted greater animal productivity--higher milk yields and heavier slaughter weights.

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4. Although per capita consumption gains will also fall short of targets, per capita availability of farm products will be more than 6 percent higher during 1982-84 than during 1979-81. Per capita availability in turn has been helped substantially by large imports of farm commodities. Responding to increased supply of farm products, prices in collective farm markets turned down during 1983. [redacted]

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Reduction of Food Imports

5. Moscow responded to the poor agricultural performance during 1979-81 by buying farm products from the West for hard currency. By 1981 such expenditures had climbed to almost \$12 billion, more than 40 percent of total hard currency expenditures. A key goal of the 1982 Food Program was to reduce

dependence on the West for farm commodities and to thereby reduce hard currency outlays. Hard currency expenditures have been reduced since the 1981 peak, but the drop to \$9 billion probably has not been large enough to satisfy Moscow. Grain and meat made up well over half of the total. In 1984 these two commodities--essential to meeting Food Program production and consumption goals--will account for an estimated 70 percent of hard currency outlays on farm products. [redacted]

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Reduction of Losses

6. Another major objective of the original Food Program was to reduce the chronically high rates of waste and losses throughout the entire food production process. In his speech at the May 1982 Plenum, Brezhnev noted that losses averaged as much as 20 percent of overall production. Press reports suggest that little progress has been made in this area. Gorbachev said last March that "we are still dragging our feet badly" in the development of processing, storage, and transportation facilities. Much of the storage for perishable farm products planned under the Food Program, for example, is far behind schedule. Soviet media references to transportation delays hindering sugar-beet harvesting and processing have been especially frequent this year. [redacted]

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Reduction of Costs

7. Press reports also suggest that one of the main concerns of Soviet leaders is the rising cost of supporting agriculture.

The Food Program has largely failed to promote more efficient use of resources in the farm sector. Gains in farm production in 1983 were attributable mainly to increases in the delivery of goods and services to farms for use in production.

- o We estimate that new fixed investment in machinery and structures for farms during 1981-83 was 4-5 percent higher than the three-year total implied by the 1981-85 plan. At the same time, production of nearly all farm products was below plan.
- o In 1983, deliveries of fertilizer, pesticides, feed additives, and other industrial goods to Soviet farms increased markedly. Mid-year plan results for 1984 suggest that growth is continuing but at a slower pace.

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- o The bill for farm products purchased by state procurement agencies rose by almost one-third in 1983, in large part because of the increase in procurement prices that took effect on 1 January 1983.

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More Investment in Infrastructure

8. Another key goal of the Food Program was to increase investment in rural roads and in housing and other facilities to improve living conditions. Manufacturers of farm machinery as well as food processing enterprises were also to receive more investment. But the planned redistribution of investment, which was intended to reduce urban migration of skilled labor, upgrade farm machinery, and reduce losses, is so far not taking place. According to recently published Soviet statistics, farms are

receiving investment goods at above 1981-85 plan rates while allocations to nonfarm claimants are lagging. In a March 1984 speech Gorbachev declared that the 12th Five-Year Plan must take additional measures to ensure the balanced development of agriculture and processing. [redacted]

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Progress in Organizational Reform

9. The Brezhnev Food Program attempts to increase efficiency and raise returns to invested resources by creating agricultural-industrial coordinating bodies at the all-union, union republic, oblast, and rayon (district) levels. These bodies will bring farms, service organizations, and some other components of the "agro-industrial complex" together under a single administrative hierarchy that is responsible for coordinating the entire food production process from farm to retail outlet. In speeches earlier this year, Gorbachev was critical of the way in which new management organizations are functioning and recommended that the search for new forms and methods of management continue. [redacted]

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10. To complement the reorganization a contract system of labor pay was instituted that rewards group of workers for "final results" rather than for hourly or piecework production. These contracts presently cover relatively few farm workers despite the regime's belief that they are beneficial. [redacted]

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What Might the Plenum Do?

11. The competition for investment resources in the Soviet Union is now especially strong, and there may well be some second thoughts on the part of some Soviet leaders with respect to the

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Food Program's investment targets. But in the light of the leadership's past public commitment to increase food supplies, we do not expect the plenum to agree to any diminution of the priority that has been given to the Food Program. In past special plenums, the leadership has pushed through a commitment to continued high investment in agriculture and supporting industries before a new five-year plan has been approved. Next week's plenum is likely to do the same. [redacted]

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12. While reaffirming the Food Program's priority, however, the plenum is likely to criticize the failure to keep agricultural costs in check and press for more efficient use of resources. Soviet leaders are probably debating additional changes in organization and management. Steps taken at this plenum are likely to address the apparent failure of the district agricultural industrial coordination bodies (RAPOs) to unify management of the entire food production process. Because the Food Program subordinated farms and other organizations involved in food production both to their parent ministries and to RAPOs, central ministries and state committees have managed to participate in RAPOs without giving up traditional prerogatives. Soviet leaders have repeatedly criticized the lack of progress in making organizations that supply equipment, repair services, agricultural, chemicals and construction services more responsive to farm needs. Soviet leaders are probably also well aware that the failure to unify management has limited the incentives for procurement agencies and transportation organizations to reduce losses of farm products. [redacted]

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13. The plenum may take steps to improve incentives for farm workers and managers to carry out farm operations on a timely basis. The regime appears firmly committed to the collective contract system of labor pay, but may try to simplify the complex procedure for concluding contracts so that they will be more widely used. It is possible that farms using collective contracts may be given priority in allocations of machinery, chemicals, and so forth.

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The regime may also influence incentives by adjusting procurement prices. The procurement price increase of 1 January 1983 favored livestock products.

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14. The agenda item most likely to dominate discussion, however, is grain production. As Minister of Agriculture Mesyats said on 14 October,

The central, key problem, which we must concentrate all our strength and resources to resolve, has been and remains that of increasing grain production. In order to give grain-growing greater stability, we must, by taking into account changing conditions of soil and climate, continue to improve the scientifically-based systems of land cultivation and master them in an integrated way on every farm and in all brigades and sectors.

To support this goal, the plenum may take steps to implement a program approved recently by the Politburo to increase spring grain yields. Such a program reflects the regime's desire to increase domestic grain production and reduce imports. To increase spring grain yields would require larger allocations of industrial goods such as fertilizer, machinery, and possibly

irrigation equipment. Procurement prices for spring wheat might also be raised. [redacted]

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Political Significance of the Plenum

15. Whatever the remedies proposed at the plenum, agriculture's perennial importance and the current state of leadership politics guarantee that the Central Committee session will be an important political event. Its political significance will be especially great for General Secretary Chernenko and Politburo member Gorbachev, the party's agricultural overseer and the current frontrunner to succeed Chernenko. Both leaders have been closely associated with the Brezhnev Food Program. However critical they may be of agriculture's recent performance, both are likely to be eager to reaffirm its claim on resources in anticipation of detailed leadership review of the upcoming Twelfth Five-Year Plan (1986-90). [redacted]

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16. The role that the two men play at the plenum is likely to be an important signal of their political standing and prospects. A vigorous display of leadership by Chernenko could help dispel the speculation about his imminent political departure that is reportedly widespread within party ranks. A low visibility role, in contrast, would further cloud Chernenko's political prospects. Similarly, although Gorbachev need not dominate the plenum's proceedings to maintain his frontrunner status, he could suffer politically if Chernenko gives the main report and is critical of agriculture's performance. This would be especially true if Gorbachev were to remain responsible for overseeing Soviet agriculture. [redacted]

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17. The ideal scenario for Gorbachev might be to play a leading role in setting forth future policy directions and then give up his agricultural responsibilities to concentrate on other duties. [redacted]

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[redacted] Gorbachev will pass the agricultural baton to a lesser political figure, possibly candidate Politburo member Shevardnadze, the Georgian party chief. [redacted]

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18. A likely and politically more ambiguous outcome of the plenum is that Chernenko and Gorbachev will share the limelight-- Gorbachev giving the main report and Chernenko perhaps giving a brief report on broader party issues. [redacted]

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